

CALIFORNIA APARTMENT ASSOCIATION PRESENTS

Balanced Solutions for Today's Rental Market

S. Pasadena Rent Stabilization Ad Hoc Committee
March, 20, 2017



California Apartment Association

- Largest statewide group serving rental housing industry
- Founded more than 70 years ago
- 13,000 members
- 50,000 rental owners
- over 1-million housing units
- CAA recognizes its ethical duties to the communities we serve and insists on upholding the utmost integrity in the multifamily housing field

What is Happening?

- Every single day there are more and more stories in the news about the exploding need for housing
- Explosive economic and population growth
- We are experiencing tremendous job growth in LA County
- Thanks to this rapid expansion, **we simply have too many people seeking too little housing!**

California Housing Partnership Corporation Feb. 2014 Report

“How California’s Housing Market is Failing to Meet the Needs of Low Income Families”

- Statewide shortfall of 956,461 homes affordable and available to California’s lowest-income households.
- Median rents in California increased by over 20 percent from 2000 to 2012, while the median income dropped by 8 percent, significantly driving up the percentage of income that California households must spend on rent.
- The foreclosure crisis greatly increased the number of renter households, driving up rents yet failing to make homeownership accessible to low-income households.

We Need More Housing!

- Housing will remain MORE expensive....UNLESS we can add more places to live.
- In our world today...
 - Housing is expensive and takes a long time to build
 - Land is expensive to purchase
 - Community opposition to new housing built
 - Lack of funding sources to build affordable housing

What About Rent Control

Economists are virtually unanimous in concluding that rent controls are destructive. In a 1990 poll of 464 economists published in the May 1992 issue of the *American Economic Review*, 93 percent of U.S. respondents agreed that “a ceiling on rents reduces the quantity and quality of housing available.”

- Restricts supply by increasing demand for these units
- Slows down turn over of these units
- Units not covered by rent control have higher rents
- **Rent Control does not create housing**

CA Legislative Analyst Feb. 2016

Perspectives on Helping Low Income Californians Afford Housing

- “rent control policies reduce the income received by owners of rental housing. In response, property owners may attempt to cut back their operating costs....Over time, this can result in a decline in the overall quality of a community’s housing stock.”
- rent control policies fail to help many of the residents who need it most and never address the underlying problem — a lack of housing, according to the LAO report.

Beacon Economic's 2016 Report

An Analysis of Rent Control Ordinances in California

- No strong evidence that rent control helps to reduce the number of low-income households spending 30% or more of their income on rent.
- Rent control can have a negative impact on low-income households not living in rent-controlled units through higher growth in citywide median rents.

Beacon Economic's 2016 Report

An Analysis of Rent Control Ordinances in California

- Rent control ordinances are associated with lower growth rates in the supply of rental housing and with higher rental price growth in the broader market.
- Rents are too high because multi-family housing and the state's housing stock have failed to expand commensurately with the ever-growing population.

Beacon Economic's 2016 Report

An Analysis of Rent Control Ordinances in California

- Cited in this report is a 1993 study by St. John and Associates found that rent control laws benefit economically advantaged households in securing rent controlled units.
- “As rent control laws draw down on the stock of rentals and drive up prices of exempted units, the controlled units become even more unattainable for lower income residents. What is left is an exclusionary, homogenous community that has been “gentrified” through rent control laws.”

City of Los Angeles

78% of multi-family stock in the City of Los Angeles is covered by the Rent Stabilization Ordinance that covers all units built before October 2, 1978

Dowell Myers

Professor Urban Planning, USC

“People don’t see how much of the growth in housing demand is from our own kids, not from new people trying to live in LA. The huge Millennial wave is three-quarters native Californians, twice as big a share as back in 1990, and now they are coming of age. Many of them already are over age 30 and trying to partner up. What, they should just stay in their parents’ back bedroom? You’d rather they just move to Texas? There go the grandkids too. It doesn’t have to be that way if we just build housing like normal cities do.”

Balanced Solutions

1. Housing production
2. Policy partnerships
3. Dispute resolution programs

Balanced Solutions

- CAA supports public policies that encourage balanced housing production
 - expedite the development of housing in appropriate locations
 - local/regional funding sources to promote housing
 - leverage funds to preserve and promote affordability
 - ensure balance for owners & their residents

Policy Partnerships

- **Rental Housing Best Practice Programs**
 - Healdsburg, Marin, San Rafael*
 - Rental owners make commitments to abide by certain standards
 - Rent increase
 - Extended notice period
 - Option for long-term leases
- **Right to Lease Ordinance** (Mtn View, Palo Alto)
 - Owners required to offer residents a long-term lease annually
 - Promotes stability for renter & housing provider

Enhanced Communication

- **Renter Education**
 - Community partnership to host workshops to educate community
- **Rental Housing Provider Education**
 - Community partnership to host workshops

Enhanced Communication

- **Mediation & Dispute Resolution**
 - communication forum to establish a neutral setting helpful tool to address disputes and misunderstandings
 - anti-retaliation protections
 - can apply to all rental units; not just pre-1995 units
 - addressing a variety of owner-renter issues
 - rent increases
 - service reductions
 - habitability issues
 - 30/60 day Notices of Termination
 - maintenance/Repairs
 - security deposits

www.caanet.org